

G-002/M-91-435 ORDER DENYING REQUEST

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Cynthia A. Kitlinski
Dee Knaak
Norma McKanna
Darrel Peterson

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Northern States
Power Company's Request to
Eliminate the Small Volume Large
General Service Rate

ISSUE DATE: January 3, 1992

DOCKET NO. G-002/M-91-435

ORDER DENYING REQUEST

PROCEDURAL HISTORY

Since 1983, the gas utility of Northern States Power Company (NSP or the Company) has offered two types of Large General Service (LGS) rates: Small Volume, for LGS customers who consume between 50 and 199.9 Mcf per day; and Large Volume, for LGS customers who consume more than 199.9 Mcf per day. Through 1990 the Small Volume rate was higher than the Large Volume rate. These rates were established during NSP's 1986 rate case and were based on NSP's cost of service. An important cost factor was the D-2 charge assessed against NSP by its pipeline suppliers. The pipelines' D-2 charges were never allocated to NSP's Large Volume LGS customers.

In 1990 two of NSP's pipeline suppliers, Northern Natural Gas Company and Viking Gas Transmission, eliminated the D-2 charge from their rate designs. As a result of this cost decrease, NSP's Small Volume LGS rates fell below Large Volume LGS rates.

On June 7, 1991, NSP filed a request for a miscellaneous rate change pursuant to Minn. Rules, part 7825.3200 (B). The Company wished to eliminate the LGS Small Volume rate in order to remedy what it considered a rate inequity between the LGS Small Volume and Large Volume rates. NSP stated that the cost of service is generally less for Large Volume customers than for Small Volume customers and the rates no longer reflected these comparative costs.

In its June 7 filing the Company included certain information, including a description of the proposal and the estimated revenue impact of the change (an increase of approximately \$13,000). The Company did not, however, include a cost study with the filing.

On October 9, 1991, and November 26, 1991, the Department of Public Service (the Department) filed comments recommending the denial of NSP's proposal due to the lack of cost data. On November 18, 1991, the Company filed a letter clarifying that under the proposal present Small Volume LGS customers would continue to be served under the current Large Volume LGS rate.

The matter came before the Commission for consideration on December 17, 1991.

FINDINGS AND CONCLUSIONS

NSP has stated that it must eliminate the Small Volume LGS rate in order to base its rates upon cost and to eliminate inequitable rate design. These are proper considerations in rate design. It is necessary, however, that sufficient supporting documentation accompany any rate change proposed in pursuit of these considerations.

Minn. Rules, part 7825.3200 (B) sets out certain filing requirements which must accompany a notice of a proposed miscellaneous rate change. The requirements include "substantiating documents and exhibits supporting the change requested." In this case, a cost study is the supporting documentation necessary for the Commission to analyze the proposed rate category elimination. The Company has not included any cost study as part of its filing.

Without a cost study, the Commission is without sufficient proof that the elimination of the Small Volume category is appropriate and necessary. Questions remain unanswered. Would the new combined rate be truly cost-based? Is there a remaining need for the Small Volume LGS rate? Would it be better to redesign the Large and Small Volume LGS categories rather than to eliminate the Small Volume rate?

The Commission finds that NSP must provide more substantiating documentation with its proposed miscellaneous rate change. The necessary cost data must be provided in the context of a general rate proceeding or as part of the "substantiating documents and exhibits" supporting a miscellaneous rate change. The Commission will therefore deny NSP's proposed miscellaneous rate change.

ORDER

1. NSP's request for the elimination of the Small Volume LGS rate is denied.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)